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Report on Preliminary Survey

MONTANA'S ENERGY PROGRAM AND ENERGY RELATED ACTIVITIES

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REPORT ON PRELIMINARY SURVEY

MONTANA'S ENERGY PROGRAM AND ENERGY RELATED ACTIVITIES

SURVEY BACKGROUND

In January 1980, the Legislative Audit Committee directed the Office of the Legislative Auditor to conduct a preliminary survey of Montana's energy program and energy related activities. The preliminary survey was requested due to recent legislative inquiries into state involvement with various energy related matters.

The purpose of a preliminary survey is to analyze a program or activity to determine if further audit work is warranted. For this particular survey, we first had to identify the various energy programs and activities and the associated source of funding. We then reviewed the various programs and program coordination to identify those areas which may warrant further performance audit work.

STATE AGENCIES AND ENERGY

Agencies within eleven of the state's nineteen departments have direct involvement with energy programs or energy related activities. In addition, the Governor, the Lieutenant Governor, the University System and the Legislature are involved. The following table lists the various agencies, offices, and committees involved and their corresponding activities. A brief discussion of the involvement of each follows the table.

SUMMARY OF MONTANA ENERGY PROGRAMS
AND ENERGY RELATED ACTIVITIES

Agency	Activity
Legislature	--Environmental Quality Council --Coal Tax Oversight Committee --Energy Forecasting Committee --Energy Policy Committee
Governor and Lieutenant Governor	--Committee for Balanced Growth --Energy, Environment, and Natural Resources Task Force --Executive Branch Task Force on Energy --International Energy Issues --Energy Emergency Preparedness
Department of Administration	
Purchasing Division	--Energy Efficient Procurement
Building Codes Division	--Review Plans for Energy Efficiency
Department of Agriculture	--Grants for Energy Research and Development for Agricultural Products
Department of Business Regulation	--Specifications for Petroleum Products --Licensing Petroleum Dealers --Testing Meters --Regulating Price Discrimination for Petroleum Products
Department of Community Affairs	
Coal Board	--Grants for Coal Impacted Communities
Community Services Division	--Grants for Home Weatherization --Fuel Bill Assistance
Community Development Division	--Planning and Development --Coal Impacted Funds for Communities
Department of Fish, Wildlife and Parks	--Leasing Land for Energy Development --Parts of Environmental Impact Statement Studies

(continued)

Agency	Activity
Department of Health and Environmental Sciences	--Parts of Environmental Impact Statement Studies (EIS)
Solid Waste Management Bureau	--Grants for Planning --Loans for Projects (None Issued)
Air Quality Bureau	--Air Standards and Monitoring for Plants and Mines
Water Quality Bureau	--Water Standards and Monitoring for Plants and Mines
Department of Highways	
Engineering Division	--Coal Haul Roads Construction
Public Affairs and Tourism Division	--Van Pool --Fleet Management System --Energy Efficient Driver Education
Department of Natural Resources and Conservation	
Board	--Major Facility Siting Permits
Facility Siting Division	--EIS Studies under the Siting Act and MEPA
Water Resources Division	--Renewable Resource Development Grants --Possible Generation of Power in State Dams
Oil and Gas Conservation Division	--Regulation of the Production of Oil and Gas
Energy Division	--Renewable Energy Grants --State Solar Office --Geothermal Energy Program --Emergency Building Temperature Restrictions --Institution Building Grants --Conservation Programs --Data on State Energy Use --Monitor Energy Research --Fuel Assistance Program --State Set-Aside Program

(continued)

Agency	Activity
Energy Division (con't)	--Analysis of Need for New Energy Projects --Collecting and Coordinating Information on Petroleum Supplies
Department of Public Service Regulation	
Public Service Commission	--Utility Rate Setting
Department of Revenue	
Income Tax Division	--Administration of Energy Tax Deductions and Credits --Information for Energy Division
Miscellaneous Tax Division	--Severance Taxes --Electrical Energy Generation Tax
Motor Fuel Tax Division	--Motor Fuel Taxes --Information for the Energy Division and Department of Highways
Property Assessment Division	--Property Taxes on Mines, Plants and Transmission Facilities --Administration of Property Tax Exemption for Alternative Energy
Department of State Lands	--Leasing Land for Energy Production --Administer Strip Mine Reclamation Act
University System (includes Bureau of Mines and Geology)	--Research on Various Energy Related Problems

Illustration 1

Legislature

Several interim legislative committees have responsibilities in the energy area. The Energy Policy Committee advises the Governor on energy alerts and

emergencies. The Environmental Quality Council informs the legislature on new developments which affect the environment, including energy. The Coal Tax Oversight Subcommittee reviews matters concerning the coal severance tax. In addition, an interim committee was established to review the need for an energy forecasting capability by the state.

Governor and Lieutenant Governor

The main focus of the operations within these two offices is policymaking. Three groups (the Committee for Balanced Growth; the Energy Environment, and Natural Resources Task Force; and the Executive Branch Task Force on Energy) advise the Governor on energy matters and attempt to coordinate energy policy.

The Governor and Lieutenant Governor deal with the Canadian government on a variety of issues. These include the Cabin Creek development in British Columbia, natural gas and crude oil imports from Alberta, and the Poplar River development in Saskatchewan.

In addition, the Governor is authorized to develop and implement emergency energy rules for the state. These rules deal with conservation measures and energy allocations to be made during a drastic energy shortage. The rules have been drafted by the Energy Division (DNRC) and are being reviewed.

Department of Administration (D of A)

The department operates two programs which deal significantly with energy. A Purchasing Division employee reviews purchases for energy efficiency and studies more efficient energy practices. A Building Codes Division employee reviews state building plans for energy efficiency. Both divisions receive funding from the Energy Division of the Department of Natural Resources and Conservation to support these programs.

Department of Agriculture

The 1979 Legislature appropriated the department $200,000 to research, develop, produce, and market fuel from agricultural products. The department has allocated the money among four projects with the prime emphasis being placed on the production of gasohol.

Department of Business Regulation

The department is involved in four areas dealing with petroleum products. It tests petroleum products for compliance with standard specifications for composition. It tests and calibrates meters which dispense petroleum products. And, it regulates price discrimination by dealers of petroleum products.

Department of Community Affairs (DCA)

The department has three areas of involvement with energy. First, it provides grants to needy persons for home weatherization and assistance with fuel bills

through district Human Resources Development Councils. The Coal Board, which is attached to the department, provides money from the coal severance tax to communities impacted by coal development. The department also cooperates with the federal Farmers Home Administration which provides funds to communities which are impacted by coal development to plan for such developments and to assist the impacted community. The Highway Traffic Safety Bureau promotes energy conservation through the 55 m.p.h. speed limit, bikeways, and right-turn-on-red.

Department of Fish, Wildlife, and Parks

The department advises the Department of State Lands on possible impacts on wildlife of leasing state land for energy development. The department issues leases for energy development on its own land. The Facility Siting Division of the Department of Natural Resources and Conservation (DNRC) contracts with the department for parts of Environmental Impact Statements (EIS) under the Major Facility Siting Act (MFSA) and the Montana Environmental Policy Act (MEPA).

Department of Health and Environmental Sciences (HES)

The department is involved in several facets of energy. First, its Air Quality and Water Quality Bureaus monitor the air and water quality around energy plants and mines.

In the area of nuclear energy, HES is charged with overseeing the solution extraction of uranium. (Pre-

sently, no such operations exist in Montana.) Also, it is responsible for regulating the transportation, handling, and storage of nuclear waste.

HES assists the Facility Siting Division of DNRC by studying air and water quality impacts.

Finally, waste disposal can involve energy. HES has a program for providing planning funds for local governments to study solid waste management. These planning funds have been used for studies of recycling and using solid waste for fuel. HES also administers solid waste management loans which can be used for solid waste management projects. No loans have been made due to the coal tax suit which has tied up funding.

Department of Highways

The department received 10 percent of the coal severance tax through fiscal 1978-79. This money was to be used for coal area road improvement. The department is awaiting federal matching funds before expending any of the coal tax funds.

The department and the federal government have built and improved nearly 55 miles of road under a different federal program to upgrade highways which are used extensively to haul coal. None of the coal tax revenues were used for this program.

The department is operating an experimental van pooling program for employees. This program is partially funded by the Energy Division of the Department of Natural Resources and Conservation.

The department is setting up a pilot project for an automobile fleet management system for the state motorpool. This system would involve such aspects as the fuel efficiency of automobiles and the effects of tune-ups and regular maintenance. Its purpose is to demonstrate the usefulness of a fleet management system to other public and private automobile fleets in Montana. The project is partially funded by a grant from the Energy Division of the Department of Natural Resources and Conservation.

The Department of Highways also has a grant from the Energy Division to operate a fuel efficiency training program for drivers. This program was previously operated by the Energy Division.

Department of Public Service Regulation

Decisions by the Public Service Commission (PSC) have an effect on energy. Rate structures have a substantial impact on demand. Also, charges for standby service to an individual with an alternative energy source (i.e., solar heating) can effect the economic feasibility of alternative energy. The Public Service Commission can control utility loan programs to individuals for energy conservation measures.

Department of Revenue

The Department of Revenue administers the state's tax programs. This includes the coal severance tax, the electrical generation tax, the property tax on energy related facilities, and the motor fuel taxes.

It also administers the income tax credits for conversion to alternative sources of energy and for energy conservation measures (i.e., home insulation, storm windows, etc).

The department is cooperating with the Energy Division of the Department of Natural Resources and Conservation and the Department of Highways to supply those two departments with certain statistics. The Energy Division would receive data on motor fuel consumption, as well as summary information on the total number of energy tax credits being claimed. The Highway Department would receive data on motor fuel consumption.

Department of State Lands

The department has two functions associated with energy production. It leases most of the state's land, including leases for the production of oil, natural gas, coal and uranium. The department also administers the state's strip mine reclamation act. In this capacity, it issues permits for new strip mines.

University System

The Bureau of Mines and Geology and various units of the university system receive grants and conduct research on a variety of energy related projects. These include an evaluation of the state's coal reserves, studies of the reclamation of strip mined land,

air and water pollution by energy projects, and fuel production by bacteria.

Department of Natural Resources and Conservation (DNRC)

In 1978, the Energy Division was created within DNRC. It was composed primarily of the former components of the Montana Energy Office (Lieutenant Governor's Office) and the Energy Planning Division (DNRC).

Within the last six months, the division has undergone a management reorganization. The reorganization included the appointment of a new division administrator, the reassignment of FTE positions, and the creation of a new division within DNRC to administer the facility siting function. Officials from DNRC and the Governor's Office noted that the management reorganization should improve department management of energy programs.

Presently four of the divisions within DNRC have some involvement with energy programs. Two of these have minor involvement. The Water Resources Division is studying the installation of electrical generation capabilities in some of its dams, and it administers renewable resource grants and loans which can be used for energy. The Oil and Gas Conservation Division is responsible for assuring that oil and natural gas are not wasted during extraction.

The Energy Division has the broadest range of energy responsibilities. It administers grants under the Alternative Renewable Energy Resources program and the Institution Building Grants Program. The state's fuel assistance program and fuel set aside program both operate within the division. The division is the focal point of the state's conservation program by conducting energy audits, monitoring state building energy use, and providing funds for conservation programs in other agencies. The division conducts the need and technology assessments used by the Facility Siting Division. The division monitors on-going energy research. In this regard, the division is trying to establish liaison with the university units which receive separate energy related grants. It collects data on energy use and administers a geothermal planning program and the state's solar energy activities.

The Facility Siting Division is responsible for preparing environmental impact assessments for projects which fall under Montana's Major Facility Siting Act and also for projects for which they are designated the lead agency under the Montana Environmental Policy Act. All of these projects are energy related (i.e., Colstrip 3 and 4, Northern Tier Pipeline, etc).

Finally, the Board of Natural Resources has the responsibility of approving, modifying, or denying certificates under the Major Facility Siting Act. This

decision is based on public hearings and the environmental impact statement submitted by the Facility Siting Division (DNRC).

FINANCES

The various Montana energy related programs have millions of dollars committed to them. DCA's fuel bill assistance, weatherization, and energy emergency planning programs are budgeted for more than $8.5 million for this fiscal year. The Energy Division and Facility Siting Division of DNRC are budgeted for more than $3.5 million.

The funds for the various energy programs come from three main sources: General Fund, Earmarked Funds, and grants from other state and federal agencies. Much of the earmarked revenue comes from the state's Coal Severance Tax. The largest share of the grant funds comes from the federal Department of Energy. Illustration 2 shows the expenditures and sources of funds from July 1, 1979 through January 1980 for some of the energy programs. The dollar amounts presented are unaudited figures taken from agency SBAS reports. Some agency programs are not represented because the expenditures for those programs are not isolated on SBAS.

SOURCE OF FUNDS AND EXPENDITURES FOR ENERGY RELATED PROGRAMS - (JULY 1, 1979 - JANUARY 31, 1980)

	General Fund		Earmarked		Federal and Private		Other		Total	
	Budgeted	Year-to-date	Budgeted	Year-to-date	Budgeted	Year-to-date	Budgeted	Year-to-date	Budgeted	Year-to-date
Governor & Lt. Governor										
Old West Regional										
Energy Advisor					$ 25,000	$ 12,420			$ 25,000	$ 12,420
Legislature										
Environmental Quality										
Council	$134,412	$ 60,752							134,412	60,752
Coal Tax Committee	8,000	432							8,000	432
Forecasting Committee	*	3,257							*	3,257
Administration										
Purchasing Division					21,300	11,218**			21,300	11,218
Agriculture										
Product Grants					200,000	446			200,000	446
Community Affairs										
Coal Board			$6,121,845	$ 124,949					6,121,845	124,949
Community Services					8,385,328	1,860,709			8,385,328	1,860,709
Highway Traffic Safety					*	64,275**			*	64,275
Fish, Wildlife, & Parks										
Ecological Services			55,465	4,013	39,142	-0-			94,607	4,013
Health and Environmental Sciences										
Solid Waste Grants					65,259	1,037			65,259	1,037
Natural Resources and Conservation										
Energy	*	298,729	*	434,182	*	278,301			3,688,525***	1,011,212
Facility Siting	*	11,153	*	142,534					***	153,687
Oil and Gas			945,024	697,954					945,024	697,954
Water Resources	*	726							*	726
Revenue										
Motor Fuels			418,258	267,510					418,258	267,510
University System										
University of Montana					*	464,000			*	464,000
Montana State University					*	605,767			*	605,767
Montana Tech					*	1,135,764			*	1,135,764
Bureau of Mines & Geo.					*		$33,033	$18,177	33,033	18,177
	$142,412	$375,049	$7,540,592	$1,671,142	$8,736,029	$4,433,937	$33,033	$18,177	$20,140,591	$6,498,305
								less contracts**	21,300	75,493
								Total	$20,119,291	$6,422,812

*The budgeted amount does not appear on SBAS.
**These funds were obtained from the Energy Division.
***These two divisions were separated part way through the fiscal year and their budgets were not separated.

Illustration 2

As stated earlier, the Department of Agriculture and the Energy Division provide grant funds for alternative energy research and development. Illustration 3 shows the funds committed to projects so far this year.

ALTERNATIVE ENERGY GRANTS
(FY 1979-80 Grant Funds Allocated as of January 31, 1980)

Agency	Purpose (Number of Grants)	Amount
Department of Agriculture	Gasohol Plant (1)	$100,000
	Barley Research Ethanol Producing Strain (1)	70,000
	On-farm Still (1)	25,000
	Feasibility Study for Gasohol Plant (1)	5,000
	TOTAL	$200,000*
Department of Natural Resources and Conservation, Energy Div.	Solar (5)	$ 84,105
	Wind (1)	25,940
	Wood (2)	11,705
	Biomass (3)	162,732
	Geothermal (2)	40,000
	Hydro (1)	30,000
	Educational/Technical (2)	19,600
	TOTAL	$374,082*

*The totals include funds allocated, but not expended, through the first seven months of this fiscal year. Therefore, the dollar amounts will not necessarily tie to the expenditure figures in Illustration 2.

Sources: Departments of Agriculture and Natural Resources and Conservation

Illustration 3

The Department of Community Affairs distributes federal funds for weatherization, energy preparedness, planning and fuel bill assistance through its local Human Resources Development Councils. Illustration 4 lists the amounts which have been allocated to the various councils.

DCA GRANT PROGRAMS
(Grant Funds Allocated as of January 31, 1980)

Local Administering Agency[1]	LEEPP[2]	ECAP[3]	Weatherization[4]	Total[5]
Action (Glendive)	90,000	853,187	275,059	1,218,246
Butte	90,000	718,473	209,920	1,018,393
District 7 (Billings)	90,000	866,017	237,567	1,193,584
Northwestern Montana (Kalispell)	90,000	718,473	209,920	1,018,393
District 4 (Havre)	90,000	436,216	127,411	653,627
District 11 (Missoula)	90,000	654,327	210,948	955,275
Opportunities Inc. (Great Falls)	90,000	891,676	287,469	1,269,145
Rocky Mountain Development Corporation (Helena)	90,000	410,556	132,361	632,917
District 6 (Roundup)	90,000	378,411	122,559	590,970
District 9 (Bozeman)	90,000	487,535	157,177	734,712
	900,000	6,414,871	1,970,391	9,285,262

[1] Local Human Resources Development Council
[2] Local Energy Emergency Preparedness and Plan - funds committed
[3] Emergency Crisis Assistance Program - fuel bill assistance - funds committed
[4] Weatherization of Low Income Homes - funds committed
[5] The totals include funds allocated, but not expended, through the first seven months of the fiscal year. Therefore, the dollar amounts will not necessarily tie to the expenditure figures in Illustration 2.

Source: Compiled by the Office of the Legislative Auditor

Illustration 4

The Energy Division contracts with other state agencies for various energy related programs. The agencies and amounts of these contracts are listed in Illustration 5.

ENERGY DIVISION CONTRACTS WITH OTHER STATE AGENCIES
(Grant Funds Allocated as of January 31, 1980)

Contracted With	Amount
Department of Administration	
Purchasing Division	$ 30,000
Building Codes Division	35,000
Department of Highways	
Car/Van Pool	8,500
Fleet Management System	48,000
Fuel Efficient Driver Education	45,000
Department of Community Affairs	
Highway Traffic Safety Division	89,000
Total	$255,500*

* The total includes funds allocated, but not expended, through the first seven months of the fiscal year. Therefore, the dollar amount will not necessarily tie to the expenditure figures in Illustration 2.

Source: Department of Natural Resources and Conservation

Illustration 5

POTENTIAL AUDIT

During the course of the survey, five areas which may warrant further review were identified. An evaluation of each area could lead to improved performance by the agencies involved in energy matters.

Issue 1 - Coordination or Consolidation of Energy Related Programs

Many state agencies are working on similar missions related to energy. These interrelationships can be classified as either two agencies performing similar types of functions or one agency providing funds for another agency's activities. Illustration 6 indicates which agencies are involved in similar activities.

EXAMPLES OF SIMILAR STATE AGENCY ENERGY ACTIVITIES

Agency	Grants and Loans	Conservation Programs	Research Alternative Sources	Facility Siting	Statistics
Department of Administration					
Purchasing Division		X			
Building Codes Division		X			
Department of Agriculture	X		X		
Department of Community Affairs				X[1]	
Coal Board	X				
Community Services Division	X	X	X		
Department of Health & Environmental Sciences				X	
Solid Waste Management	X	X	X		
Department of Highways				X[1]	X
Public Affairs Division		X			
Department of Fish, Wildlife, & Parks				X	
Department of Natural Resources and Conservation					
Energy Division	X	X	X	X	X
Facility Siting Division				X	
Water Resources Division	X	X	X		
Board				X	
Department of Public Service Regulation				X[1]	
Department of Revenue				X[1]	X
Department of State Lands				X[1]	

[1]These agencies are mandated under the MFSA to review proposed facilities for possible impacts and report to the Facility Siting Division of DNRC. They do not take an active part in the facility siting process.

Source: Compiled by Office of Legislative Auditor.

Illustration 6

As described in Illustration 6, a large number of state agencies with many different divisions have closely related activities. With all of these agencies involved a question of overlap and/or coordination arises.

For example, in the area of energy related research and development, five agencies are involved. The Energy Division (DNRC) provides funds through its Alternative Renewable Energy Grant program. The Water Resources Division (DNRC) can provide funds through its Renewal Resources Grant program. The Department of Agriculture funds gasohol projects with part of its wheat and barley assessment. The Department of Health and Environmental Sciences is studying the use of solid waste for fuel and could fund projects with its loan program. The Community Services Division of DCA is attempting to put together a program to assist low-income households to convert to alternative sources. Finally, the University System conducts energy research and development under various state and federal grants.

A performance audit of the area would examine the operations of agencies with related programs to determine if some improvements could be made. The audit would include the feasibility of transferring and consolidating functions. The audit would also have to analyze the various mandates of the Montana Legislature, federal programs, and federal legislation.

Issue 2 - Energy Grant and Loan Programs

As noted previously, there are several programs administered by state agencies which provide money in the form of grants and loans for energy related programs. A brief review of these programs noted some potential problem areas. Potential problems include:

--Grants for projects which appear out of the mainstream of intended research (i.e., development of solar subdivision covenants).

--The majority of grants totalling over $116,000 for one designated region awarded to the same contractor.

--Inadequate documentation of project progress and results (i.e., required quarterly reports are not on file).

--Inadequate monitoring of projects during and after completion (i.e., no evidence that a project was visited by a state inspector either during or after completion).

A potential problem of coordination also arises because some projects may be eligible for money from more than one granting agency. For example, a gasohol project could receive money from the Alternative Renewable Energy program, the Department of Agriculture program, and the Renewable Resource Development program.

It should be noted that the Water Resources Division of DNRC also administers funds which can be used for energy. Presently, these Renewable Resources grants and loans are used primarily to assist water projects throughout the state, but they could be used for energy research and development since the law only

specifies that they be used for renewable resources development.

A performance audit of each grant program could be done as separate audits or as one combined review. Also, the other funding programs (i.e., coal impact grants, solid waste management program, fuel bill assistance, etc.) could be reviewed on an individual basis, or combined with the energy grants as a single review. The review(s) would evaluate the grant process and awards with respect to applicable statutes and rules. Also, procedures used to evaluate grant proposals and to monitor grants would be examined.

Issue 3 - The Facility Siting Process

Montana's Major Facility Siting Act (MFSA) and Montana's Environmental Policy Act (MEPA) require a detailed environmental impact assessment of all major projects. This assessment is usually the responsibility of the Facility Siting Division of the Department of Natural Resources and Conservation.

The present process used by the Facility Siting Division usually takes from a year and a half to two years. This covers the period from submission of the application to the issuance of the EIS. The President has proposed that a federal agency be created to reduce the time needed to site and construct energy facilities. If the proposed federal Energy Mobilization Board is created, the time allowed for completing the study could be greatly reduced.

Because of the time the process now takes and possible federal time constraints, a performance audit of the facility siting process could be useful in streamlining procedures without affecting the quality of the EIS. The audit also could provide suggestions for improvements in the law and rules which govern the facility siting process.

Issue 4 - Contracted Services

The Energy Division (DNRC) and the Facility Siting Division (DNRC) contract with private individuals and companies for many services. The Energy Division has expended $228,000 and the Facility Siting Division has expended $116,000 for the first seven months of fiscal year 1979-80 on consulting and professional services. The Energy Division has 31 FTE authorized with 24½ FTE positions filled and seven contractors who work full-time for the division. The Facility Siting Division has 14 FTE authorized, 11 FTE filled, and 13 contractors working at this time.

Concern has been expressed about the qualifications of some contractors, the services provided by contractors, and the monitoring of contracted services. We reviewed a sample of contractors for the Energy Division. We noted some possible problems including:

--Contracting for a workshop without putting out a formal request for proposals.

--Contracts for secretarial and clerical positions.

--No formal procedure for evaluating contractor services.

The extent of the use of contracted services and the problems identified indicate that a performance audit of contracted services of the two divisions could be beneficial. It could examine such areas as:

--The need for in-house expertise as opposed to contracted services.

--The need for additional FTE to fill positions now contracted.

--The system for selecting contractors and evaluating contracted services.

Issue 5 - Energy Forecasting

At the present time, no state mechanism exists which can forecast the energy supply and demand situation for the state of Montana. Each utility has some forecasting capability for electricity and natural gas, but the capabilities vary in sophistication from straight-line trending to econometric modeling. Also, forecasts do not necessarily correspond to Montana's geographic boundaries since they only cover the utility's service area. The oil companies also have forecasting capability, especially in the area of supplies. However, no one knows how alternative sources and conservation fit into the picture.

Impending federal legislation could mandate a state forecasting capability. Identical bills have been introduced into the U.S. House and Senate under the title of the Energy Management Partnership Act.

The act would provide funding to the states to administer energy programs. These programs would include an acceptable energy plan and a forecasting capability.

The Energy Division plans to submit a proposal for funding to the U.S. Department of Energy for a Renewable Energy Viability Study (REV). A part of the study would involve some energy supply and demand forecasting. The budget for forecasting for the REV does not appear sufficient for a very comprehensive program. However, the proposal is written so that a more comprehensive forecast could be incorporated easily.

It should be noted that an interim legislative committee, the Energy Forecasting Committee, is studying the need for forecasting and will be making recommendations to the 1981 Legislature. For this reason, an audit of Montana forecasting need or capability may duplicate existing legislative work. In addition, the study might be outside our scope of operations because it would not be a report on an actual state operation but a prospective one. Still, it is possible to assess the need for a forecasting capability and assess the types of forecasts that would be beneficial.

Audit Feasibility

Our preliminary work has identified five major areas within the state's energy related activities which may benefit from a performance audit. An overall audit of all of the state's energy related programs

would be a large task and probably would not be feasible at this time. Regarding the individual issues identified earlier, separate audits appear feasible.